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**DATE:** February 25, 2003

**TO:** Equalization Directors

**FROM:** Dennis W. Platte, Executive Secretary  
State Tax Commission

**SUBJECT:** Assessment of Unregistered Aircraft and of Other Related Property

It has come to the attention of the State Tax Commission that some assessors may be failing to assess some or all of the personal property of commercial airlines. This is apparently due to the assessor's belief that the personal property of commercial airlines is exempt. However, the State Tax Commission is aware of only one exemption that may commonly apply to the assessment of the personal property of commercial airlines. MCL 259.77 provides for the registration of aircraft with the Michigan Aeronautics Commission and indicates that payment of the "registration fee shall be in lieu of all property taxes on the aircraft, either general or local." However, MCL 259.76 also provides that "(an) aircraft engaged in scheduled passenger service flying in interstate or foreign commerce or in that part of interstate or foreign commerce which is intrastate in character, and operating exclusively under the provisions of a federal certificate issued under 14 CFR Part 121" is not subject to registration. From its examination of these statutes, the State Tax Commission concludes that payment of the registration fee is a prerequisite to the exemption of an aircraft from personal property taxation. The Commission further concludes that if an aircraft is exempt from payment of the registration fee, it is **not** exempt from personal property taxation.

The Interstate Commerce Clause of the United States Constitution precludes a method of taxation that imposes a greater burden on interstate commerce than that which is imposed on intrastate commerce. The Interstate Commerce issue, as it relates to aircraft used for scheduled passenger service, is presently being studied by the State Tax Commission. Local units will be advised of the results of this study effort. However, this pending effort of the Commission should not preclude local assessors from making assessments of unregistered aircraft.

Even if a taxpayer's aircraft are exempt because they are currently registered with the Michigan Aeronautics Commission, the extra standby components and components rotated in use that are associated with the aircraft should be assessed. Such components are commonly referred to as "rotables." Examples of "rotables" include engines, landing gear, wheels, brake assemblies, motors and gear boxes, engine fire extinguishers, elevators, rudders, etc. Such "notables" are not, in the opinion of the State Tax Commission, exempt materials and supplies inventory, pursuant to MCL 211.9d, for the reason that typically they are neither consumed as part of a manufacturing process nor consumed during a single financial accounting period. Further, the

State Tax Commission believes that "rotables" are typically allowed a federal income tax depreciation deduction, which is a disqualifying factor for inventory treatment.